

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2015

Legislative Fiscal Note

BILL NUMBER: House Bill 704 (First Edition)

SHORT TITLE: Mortgage Debt Cancellation Tax Benefit.

SPONSOR(S): Representatives Blackwell, Torbett, Carney, and Glazier

FISCAL IMPACT					
(\$ in millions)					
<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> No Estimate Available					
	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
State Impact					
General Fund Revenues:	(\$14.0)	\$0.0	\$0.0	\$0.0	\$0.0
General Fund Expenditures:					
Special Fund Revenues:					
Special Fund Expenditures:					
State Positions:					
NET STATE IMPACT	(\$14.0)	\$0.0	\$0.0	\$0.0	\$0.0
Local Impact					
Revenues:					
Expenditures:					
NET LOCAL IMPACT	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: NC Department of Revenue					
EFFECTIVE DATE: Taxable Years beginning on or after January 1, 2014					
TECHNICAL CONSIDERATIONS: None					

BILL SUMMARY: The bill repeals the provision in Session Law 2015-2 (Senate Bill 20) that decoupled from the income exclusion for discharge of indebtedness on a principal residence.

ASSUMPTIONS AND METHODOLOGY:

The fiscal impact for conformity to the income exclusion for discharge of residence indebtedness begins with US Joint Committee on Taxation estimates on changes to federal taxes. The national impact on federal tax revenue is shared down to the North Carolina portion using North Carolina's share of mortgage interest deductions on federal tax returns. Next, an adjustment is made to account for the difference in the North Carolina tax rate and the average marginal tax rate at the

federal level on each dollar of mortgage debt forgiven. That number is discounted by 15%. The discount is based on real estate statistics indicating that the average median home sales price in North Carolina is approximately 85% of the national median average home sales price.

SOURCES OF DATA: NC Department of Revenue, US Joint Committee on Taxation

TECHNICAL CONSIDERATIONS: None

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